

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name SPRING LAKE TOWNSHIP	County OTTAWA
Fiscal Year End 03/31/06	Opinion Date 08/17/06	Date Audit Report Submitted to State 09/27/06	

We affirm that:

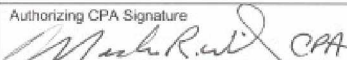
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments or recommendations.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 West Chicago Road		City Sturgis	State Zip MI 49091
Authorizing CPA Signature  CPA		Printed Name Michael R Wilson	License Number 1101017570

TOWNSHIP OF SPRING LAKE, MICHIGAN
OTTAWA COUNTY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

March 31, 2006

TOWNSHIP OF SPRING LAKE, MICHIGAN

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TOWNSHIP OF SPRING LAKE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Spring Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Spring Lake, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Spring Lake management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Spring Lake, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Spring Lake basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 17, 2006

Norman & Paulsen, P.C.

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Spring Lake financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township's overall financial position increased by \$559,536 during the fiscal year ended March 31, 2006, which represents 3 percent of the net asset position at the beginning of the year. Included in the Township's total net assets of \$17,989,481 are the Sewage Disposal System Fund net assets of \$7,500,765 and the Water Supply System Fund net assets of \$5,477,580. The Sewage Disposal System's net assets increased by \$204,262 and the Water Supply System's net assets decreased by \$175,326.

The Township's Governmental Funds reflected a total fund balance at March 31, 2006 of \$2,862,021, which was a decrease of \$300,794 from the prior year end. Included in this decrease was the Bike Path Capital Projects Fund which reflected a decrease in fund balance of \$707,295. The Township's General Fund reflected an increase in fund balance of \$351,670.

The total Governmental Fund expenditures for the year ended March 31, 2006, amounted to \$3,228,648, of which \$940,426 (30 percent) was for general government; \$844,287 (26 percent) was for capital outlay; and \$575,575 (18 percent) was for public safety.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

	(dollars presented in thousands)			
	Governmental		Enterprise	
	Funds		Funds	
	2006	2005	2006	2005
Assets	\$ 3,021	\$ 3,274	\$ 19,693	\$ 19,691
Liabilities	159	111	6,715	6,742
Fund Equity				
Invested in capital assets, net of related debt	-	-	8,187	7,981
Retained Earnings				
Restricted	-	-	-	-
Unreserved	-	-	4,791	4,968
Fund Balances				
Reserved	1,931	2,585	-	-
Unreserved	931	578	-	-
Total Fund Equity	<u>\$ 2,862</u>	<u>\$ 3,163</u>	<u>\$ 12,978</u>	<u>\$ 12,949</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the net assets of the current year end as compared to the prior year end as required by GASB 34 stated under the full accrual basis.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 3,021	\$ 3,273	\$ 5,287	\$ 5,192
Capital assets	<u>4,091</u>	<u>3,467</u>	<u>14,406</u>	<u>14,499</u>
Total assets	7,112	6,740	19,693	19,691
Long-term debt outstanding	1,942	2,149	6,139	6,518
Other liabilities	<u>159</u>	<u>111</u>	<u>576</u>	<u>224</u>
Total liabilities	2,101	2,260	6,715	6,742
Net assets				
Invested in capital assets, net of related debt	2,149	1,317	8,187	7,981
Restricted	1,931	2,585	-	-
Unrestricted	<u>931</u>	<u>578</u>	<u>4,791</u>	<u>4,968</u>
Total net assets	<u>\$ 5,011</u>	<u>\$ 4,480</u>	<u>\$ 12,978</u>	<u>\$ 12,949</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2006	2005	2006	2005
Revenue				
Taxes	\$ 1,028	\$ 733	\$ -	\$ -
Special assessments	102	109	-	-
Licenses and permits	238	266	-	-
Federal grants	-	169	-	-
State shared revenue	737	746	-	-
Charges for services	619	328	2,828	2,550
Interest	102	22	168	107
Other	101	97	-	-
Bond issue proceeds	-	2,105	-	-
Total revenue	2,928	4,575	2,996	2,657
Program expenses				
General government	940	827	-	-
Public safety	576	571	-	-
Public works	223	118	-	-
Community and economic development	224	162	-	-
Recreation and cultural	160	114	-	-
Capital outlay	844	766	-	-
Debt service	261	25	-	-
Sewer system	-	-	810	663
Water system	-	-	1,144	1,111
Depreciation	-	-	737	721
Interest expense	-	-	276	250
Total expenses	3,229	2,583	2,967	2,745
Excess (deficiency)	\$ (301)	\$ 1,992	\$ 29	\$ (88)

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets during the current year as compared to the prior year as required by GASB 34 stated under the full accrual basis of accounting.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Revenues				
Program revenues				
Charges for services	\$ 851	\$ 590	\$ 2,828	\$ 2,550
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	169	-	-
General revenues				
Property taxes	1,028	842	-	-
State shared revenues	737	746	-	-
Unrestricted investment earnings	102	22	168	107
Miscellaneous	212	101	-	-
Total revenues	2,928	2,470	2,996	2,657
Expenses				
General government	982	853	-	-
Public safety	642	650	-	-
Public works	223	118	-	-
Community and economic development	224	162	-	-
Recreation and cultural	272	271	-	-
Interest on long-term debt	54	5	-	-
Sewer system	-	-	1,100	956
Water system	-	-	1,867	1,789
Total expenses	2,397	2,059	2,967	2,745
Change in net assets	\$ 531	\$ 411	\$ 29	\$ (88)

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. Major funds for the fiscal year ended March 31, 2006 include the General Fund and the Bike Path Capital Projects Fund.

The General fund pays for most of the Township's governmental services. The primary services include fire services and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

TOWNSHIP OF SPRING LAKE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

As shown in the required supplemental information, the Township budgeted an increase of \$209,979 in the original budget and an increase of 190,839 in the amended budget. Actual operating results ended up as an increase of \$351,670.

The original budget was amended to reflect additional projected revenues of \$66,800 and additional anticipated expenditures of \$85,940.

The actual results ended the fiscal year within \$160,831 of the amended budget.

Capital Assets and Debt Administration

During the year ended March 31, 2006, the total capital assets of the Township increased by \$1,487,570. Additional detail relating to the asset additions follows:

The Sewer Utility System capital assets increased by \$265,211, which was all financed internally.

The Water Utility System capital assets increased by \$378,073, which was all financed internally.

Governmental Fund capital assets increased by \$844,286 which was primarily funded with Bond Issue proceeds for Bike Paths \$(759,773), and the balance of \$84,513 was financed internally.

During the year ended March 31, 2006, the total debt obligations of the Township increased by additional borrowings of \$-0- and decreased by principal payments of \$586,076. Total debt obligations at March 31, 2006, amounted to \$8,080,969.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Finance Director's office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF SPRING LAKE, MICHIGAN

**STATEMENT OF NET ASSETS
MARCH 31, 2006**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business</u>	
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 2,723,798	\$ 4,037,250	\$ 6,761,048
Receivables, net	274,910	483,171	758,081
Receivables, long-term portion	-	414,267	414,267
Prepaid and other assets	21,870	352,384	374,254
Capital assets - net	<u>4,091,115</u>	<u>14,406,041</u>	<u>18,497,156</u>
Total assets	7,111,693	19,693,113	26,804,806
LIABILITIES			
Accounts payable	127,780	446,667	574,447
Accrued and other liabilities	30,777	129,132	159,909
Debt obligations:			
Due within one year	212,000	514,690	726,690
Due in more than one year	<u>1,730,000</u>	<u>5,624,279</u>	<u>7,354,279</u>
Total liabilities	<u>2,100,557</u>	<u>6,714,768</u>	<u>8,815,325</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,149,115	8,187,460	10,336,575
Restricted for:			
Capital projects	1,267,430	-	1,267,430
Bike path improvements	327,030	-	327,030
Street lighting	78,693	-	78,693
Debt service	193	-	193
Cemetery endowments	257,938	-	257,938
Unrestricted	<u>930,737</u>	<u>4,790,885</u>	<u>5,721,622</u>
Total net assets	<u>\$ 5,011,136</u>	<u>\$ 12,978,345</u>	<u>\$17,989,481</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN

**STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 981,774	\$ 526,267	\$ -	\$ -
Public safety	641,975	231,943	-	-
Public works	223,332	-	-	-
Community and economic development	224,301	92,837	-	-
Recreation and cultural	272,180	-	-	-
Interest on long-term debt	53,692	-	-	-
Total governmental activities	2,397,254	851,047	-	-
Business-type activities:				
Sanitary sewer	1,098,490	1,222,045	-	-
Water	1,867,068	1,605,721	-	-
Total business-type activities	2,965,558	2,827,766	-	-
Total primary government	<u>\$ 5,362,812</u>	<u>\$ 3,678,813</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State shared revenues				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING OF YEAR				
NET ASSETS - END OF YEAR				

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (455,507)	\$ -	\$ (455,507)
(410,032)	-	(410,032)
(223,332)	-	(223,332)
(131,464)	-	(131,464)
(272,180)	-	(272,180)
<u>(53,692)</u>	<u>-</u>	<u>(53,692)</u>
(1,546,207)	-	(1,546,207)
-	123,555	123,555
<u>-</u>	<u>(261,347)</u>	<u>(261,347)</u>
-	(137,792)	(137,792)
(1,546,207)	(137,792)	(1,683,999)
1,028,321	-	1,028,321
737,492	-	737,492
102,164	166,728	268,892
<u>208,830</u>	<u>-</u>	<u>208,830</u>
<u>2,076,807</u>	<u>166,728</u>	<u>2,243,535</u>
530,600	28,936	559,536
<u>4,480,536</u>	<u>12,949,409</u>	<u>17,429,945</u>
<u>\$ 5,011,136</u>	<u>\$ 12,978,345</u>	<u>\$17,989,481</u>

FUND FINANCIAL STATEMENTS

TOWNSHIP OF SPRING LAKE, MICHIGAN

**GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2006**

	<u>General Fund</u>	<u>Bike Path Capital Projects Fund</u>
ASSETS		
Cash and cash equivalents	\$ 576,978	\$ 367,869
Investments	60,033	931,334
Accounts receivable	68,210	11,895
Due from other governmental units	167,466	-
Prepaid expenditures	<u>18,820</u>	<u>-</u>
Total assets	<u><u>\$ 891,507</u></u>	<u><u>\$1,311,098</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 65,967	\$ 43,668
Accrued liabilities	<u>29,371</u>	<u>-</u>
Total liabilities	95,338	43,668
Fund balances		
Reserved for:		
Capital projects	-	1,267,430
Bike path improvements	-	-
Street lighting	-	-
Debt service	-	-
Cemetery endowments	-	-
Unreserved, undesignated	<u>796,169</u>	<u>-</u>
Total fund balances	<u><u>796,169</u></u>	<u><u>1,267,430</u></u>
Total liabilities and fund balances	<u><u>\$ 891,507</u></u>	<u><u>\$1,311,098</u></u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$ 530,906	\$ 1,475,753
256,678	1,248,045
1,344	81,449
25,995	193,461
<u>3,050</u>	<u>21,870</u>
<u>\$ 817,973</u>	<u>\$ 3,020,578</u>

\$ 18,145	\$ 127,780
<u>1,406</u>	<u>30,777</u>
19,551	158,557

-	1,267,430
327,030	327,030
78,693	78,693
193	193
257,938	257,938
<u>134,568</u>	<u>930,737</u>
<u>798,422</u>	<u>2,862,021</u>
<u>\$ 817,973</u>	<u>\$ 3,020,578</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2006**

Total governmental fund balances \$ 2,862,021

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

Governmental capital assets	\$ 7,003,546	
Less accumulated depreciation	<u>(2,912,431)</u>	4,091,115

Certain liabilities are not due and payable in
the current period and therefore are not
reported in the funds.

Land contracts payable	(22,000)
Bonds payable	<u>(1,920,000)</u>

Net assets of governmental activities \$ 5,011,136

See accompanying notes to financial statements

**TOWNSHIP OF SPRING LAKE, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2006**

	General Fund	Bike Path Capital Projects Fund
REVENUES		
Taxes	\$ 743,305	\$ -
Special assessments	-	-
Licenses and permits	5,833	-
State shared revenue	737,492	-
Charges for services	619,104	-
Interest	38,767	52,478
Other	<u>84,539</u>	<u>-</u>
Total revenues	2,229,040	52,478
EXPENDITURES		
General government	940,426	-
Public safety	320,314	-
Public works	102,700	-
Community and economic development	224,301	-
Recreation and cultural	160,035	-
Capital outlay	84,514	759,773
Debt service		
Principal	22,000	-
Interest	<u>3,080</u>	<u>-</u>
Total expenditures	<u>1,857,370</u>	<u>759,773</u>
Excess (deficiency) of revenues over expenditures	371,670	(707,295)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	-
Operating transfers out	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures	351,670	(707,295)
FUND BALANCE - Beginning of year	<u>444,499</u>	<u>1,974,725</u>
FUND BALANCE - End of year	<u><u>\$ 796,169</u></u>	<u><u>\$ 1,267,430</u></u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$ 285,016	\$ 1,028,321
101,764	101,764
231,943	237,776
-	737,492
-	619,104
10,919	102,164
<u>16,694</u>	<u>101,233</u>
646,336	2,927,854
-	940,426
255,261	575,575
120,632	223,332
-	224,301
-	160,035
-	844,287
185,000	207,000
<u>50,612</u>	<u>53,692</u>
<u>611,505</u>	<u>3,228,648</u>
34,831	(300,794)
255,800	255,800
<u>(235,800)</u>	<u>(255,800)</u>
<u>20,000</u>	<u>-</u>
54,831	(300,794)
<u>743,591</u>	<u>3,162,815</u>
<u>\$ 798,422</u>	<u>\$ 2,862,021</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

Net change in fund balances - total governmental funds \$ (300,794)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	844,287
Depreciation expense	(219,893)

Loan proceeds provide current financial resources to
governmental funds in the period issued, but issuing debt
increases long-term liabilities in the statement of net
assets. Repayment of loan principal is an expenditure in
the governmental funds, but the repayment reduces long-
term liabilities in the statement of assets.

Proceeds from debt obligations	-
Principal payments on debt obligations	<u>207,000</u>

Change in net assets of governmental activities	<u>\$ 530,600</u>
---	-----------------------

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2006

	Sewage Disposal System <u>Fund</u>	Water Supply System <u>Fund</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 768,267	\$ 154,312	\$ 922,579
Investments	810,188	2,304,483	3,114,671
Special assessments	48,662	-	48,662
Accounts receivable	189,672	241,151	430,823
Interest receivable	1,257	2,429	3,686
Prepaid and other assets	<u>8,690</u>	<u>225,926</u>	<u>234,616</u>
Total current assets	1,826,736	2,928,301	4,755,037
NONCURRENT ASSETS			
Special assessments	220,668	193,599	414,267
Deferred bond costs	-	117,768	117,768
Capital assets, net of depreciation	<u>6,597,784</u>	<u>7,808,257</u>	<u>14,406,041</u>
Total noncurrent assets	<u>6,818,452</u>	<u>8,119,624</u>	<u>14,938,076</u>
Total assets	8,645,188	11,047,925	19,693,113
LIABILITIES			
CURRENT LIABILITIES			
Current portion of long-term debt	35,000	479,690	514,690
Accounts payable	117,813	328,854	446,667
Accrued liabilities	<u>13,196</u>	<u>115,936</u>	<u>129,132</u>
Total current liabilities	166,009	924,480	1,090,489
NONCURRENT LIABILITIES			
Long-term debt, net of current portion	<u>978,414</u>	<u>4,645,865</u>	<u>5,624,279</u>
Total liabilities	<u>1,144,423</u>	<u>5,570,345</u>	<u>6,714,768</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,584,370	2,603,090	8,187,460
Unrestricted	<u>1,916,395</u>	<u>2,874,490</u>	<u>4,790,885</u>
Total net assets	<u>\$7,500,765</u>	<u>\$5,477,580</u>	<u>\$12,978,345</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2006

	Sewage Disposal System Fund	Water Supply System Fund	Totals
OPERATING REVENUE			
Charges for services	\$ 566,223	\$1,237,290	\$ 1,803,513
Readiness to serve	-	154,009	154,009
Debt retirement	138,611	158,570	297,181
Special assessments	140,787	13,690	154,477
Hydrant rental	-	9,842	9,842
Trunkage charges	125,245	-	125,245
Reimbursements	224,057	6,399	230,456
Other	<u>27,122</u>	<u>25,921</u>	<u>53,043</u>
Total operating revenue	1,222,045	1,605,721	2,827,766
OPERATING EXPENSES			
Salaries	94,027	170,463	264,490
Fringe benefits	42,834	81,672	124,506
Operating supplies	19,539	41,048	60,587
Sewage treatment	433,222	-	433,222
Administration fees	93,154	105,231	198,385
Professional services	53,174	35,857	89,031
Repairs and maintenance	17,877	11,677	29,554
Insurance	17,883	14,663	32,546
Utilities	23,535	5,274	28,809
Water purchases	-	650,997	650,997
Miscellaneous	14,160	26,494	40,654
Depreciation	<u>246,624</u>	<u>490,012</u>	<u>736,636</u>
Total operating expenses	<u>1,056,029</u>	<u>1,633,388</u>	<u>2,689,417</u>
OPERATING INCOME (LOSS)	166,016	(27,667)	138,349
NONOPERATING REVENUE (EXPENSE)			
Interest income	80,707	86,021	166,728
Interest expense	<u>(42,461)</u>	<u>(233,680)</u>	<u>(276,141)</u>
Net nonoperating revenue (expense)	<u>38,246</u>	<u>(147,659)</u>	<u>(109,413)</u>
CHANGE IN NET ASSETS	204,262	(175,326)	28,936
NET ASSETS - BEGINNING OF YEAR	<u>7,296,503</u>	<u>5,652,906</u>	<u>12,949,409</u>
NET ASSETS - END OF YEAR	<u>\$7,500,765</u>	<u>\$5,477,580</u>	<u>\$12,978,345</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2006

	Sewage Disposal System Fund	Water Supply System Fund	Total
Cash flows from operating activities			
Receipts from customers	\$1,323,588	\$1,408,741	\$2,732,329
Payments to suppliers	(599,423)	(613,746)	(1,213,169)
Payments to employees	(94,027)	(170,463)	(264,490)
Benefit payments	(42,834)	(81,672)	(124,506)
Net cash provided (used) by operating activities	587,304	542,860	1,130,164
Cash flows from capital and related financing activities			
Principal paid on debt	(35,000)	(344,076)	(379,076)
Interest paid on debt	(42,461)	(233,680)	(276,141)
Acquisition of capital assets	(265,211)	(378,073)	(643,284)
Net cash provided (used) by capital and related financing activities	(342,672)	(955,829)	(1,298,501)
Cash flows from investing activities			
Interest received	79,851	94,567	174,418
Sale or (purchase) of investments	(405,048)	224,826	(180,222)
Net cash provided (used) by investing activities	(325,197)	319,393	(5,804)
Net increase (decrease) in cash	(80,565)	(93,576)	(174,141)
Cash and Cash Equivalents - Beginning of Year	848,832	247,888	1,096,720
Cash and Cash Equivalents - End of Year	<u>\$ 768,267</u>	<u>\$ 154,312</u>	<u>\$ 922,579</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS - Continued
 YEAR ENDED MARCH 31, 2006

	Sewage Disposal System Fund	Water Supply System Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 166,016	\$ (27,667)	\$ 138,349
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	246,624	490,012	736,636
(Increase) decrease in:			
Accounts receivable	(13,001)	19,530	6,529
Special assessments receivable	113,957	(605)	113,352
Prepaid and other assets	-	(216,996)	(216,996)
Increase (decrease) in:			
Accounts payable	73,121	277,495	350,616
Accrued liabilities	587	1,091	1,678
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ 587,304</u>	<u>\$ 542,860</u>	<u>\$1,130,164</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
FIDUCIARY FUNDS
BALANCE SHEET
MARCH 31, 2006

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 221,994</u>
LIABILITIES	
Undistributed tax collections	<u>\$ 221,994</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Spring Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to townships. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the Township are discussed below.

Reporting Entity

Spring Lake Township is located in Ottawa County, Michigan, and provides services to approximately 13,140 residents in many areas including public safety, highways and streets, general administrative services, fire protection, public utilities, and community enrichment and development. The Township is a general law township, and is governed by a 7-member board elected by the citizens of Spring Lake Township. The board consists of the supervisor, clerk, treasurer, and four trustees whom reside in the community.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Township (the primary government) and its component units, entities for which the Township is considered to be financially accountable. There are no component units to be included in these financial statements.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Township and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Township reports the following major funds:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Bike Path Capital Projects Fund - To account for the proceeds from the sale of General Obligation Limited Tax Bonds which will be used to finance the acquisition, construction and reconstruction of bicycle paths within the Township and the acquisition of interest in land.

Enterprise Funds

Water Supply System Fund - To account for user charges and for operating expenses and debt service of the Township's water system.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Sewage Disposal System Fund - To account for user charges and for operating expenses and debt service of the Township's sewer system.

The following is a description of three major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the governmental fund types of the Township:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the proprietary fund types of the Township:

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs.

Agency Funds - Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- * On or about March 31, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted to obtain taxpayer comments.
- * On or about April 1, the budget is legally enacted through passage of resolution.
- * The Township Board is authorized to transfer budgeted amounts within departments.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- * Appropriations for the general fund lapse at the end of the fiscal year.
- * Budgeted amounts are as originally adopted or as amended by the Board of Trustees.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government of federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15-40
Streets and bike paths	15-20
Utility systems	30-50
Buildings and improvements	15-50
Machinery and equipment	5-20
Vehicles	2-7
Furniture and other	3-7

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes - The Township's property taxes are levied as an enforceable lien on property as of December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and a portion of the taxes billed on behalf of other governments and school districts within the Township's boundaries. Real property taxes not collected as of March 1 are turned over to Ottawa County for collection. The County advances the Township 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township's treasurer. The Township's property taxes levied on December 1 provide the revenue for the current fiscal year.

Taxes collected and remitted to other governments and school districts are accounted for in the Tax Collection Fund.

The assessed and state equalized taxable value of real and personal property located in the Township totaled \$578,450,685. The Township's general operating levy for the year was based on a millage rate of .9664.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences - Township employees earn vacation and sick leave in varying amounts based on length of service. Vacation time of up to one week can be carried over, but unused sick leave does not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

Fund Equity - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits and investments are included on the balance sheet under the following classifications:

	<u>Primary Government</u>
Statement of Net Assets:	
Cash and investments	\$ 6,761,048
Statement of Fiduciary Net Assets:	
Cash	<u>221,994</u>
Total	<u>\$ 6,983,042</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 2 - DEPOSITS AND INVESTMENTS- Continued

Cash - Statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

At March 31, 2006, the book balance was \$4,382,297 and the bank balance (without recognition of outstanding checks or deposits in transit) was \$4,401,880, of which \$2,541,730 was insured by federal depository insurance and \$1,860,150 was uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - Statutes require and Board resolutions authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements and mutual funds composed of the types of investment vehicles previously named.

The Township has monies invested in Drefus Government Cash Management Fund. All funds in these accounts are invested in accordance with applicable state of Michigan statutes. The balance at March 31, 2006 was \$386,652. The Township has investments in U.S. Agencies of \$2,214,093. The U.S. Agencies are classified as Category 1 investments, which include investments that are insured, registered, or for which the securities are held by the Township or its agent in the Township's name.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 70 percent due from other governments, 25 percent accounts receivable, and 5 percent accrued interest receivable. Business-type activities receivables are 58 percent special assessments receivable, 41 percent due from customers and 1 percent accrued interest receivable.

Accounts receivable in the governmental activities and the business-type activities are reported net of an allowance for uncollectible accounts of -0-.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 4 - INTERFUND TRANSFERS

Transfers consisted of the following for the year ended March 31, 2006:

<u>Fund</u>	<u>Transfers Out</u>	<u>Fund</u>	<u>Transfers In</u>
General	\$ 20,000	Equipment Sinking	\$ 20,000
Bike Path Millage	<u>235,800</u>	Debt Service	<u>235,800</u>
Total Primary Government	<u>\$ 255,800</u>		<u>\$ 255,800</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2006, was as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 693,481	\$ -	\$ -	\$ 693,481
Construction in progress	<u>381,413</u>	<u>759,773</u>	<u>-</u>	<u>1,141,186</u>
Subtotal	1,074,894	759,773	-	1,834,667
Capital assets, being depreciated:				
Land improvements	2,813,460	62,351	-	2,875,811
Buildings and improvements	1,039,807	22,163	-	1,061,970
Machinery and equipment	<u>1,231,098</u>	<u>-</u>	<u>-</u>	<u>1,231,098</u>
Subtotal	5,084,365	84,514	-	5,168,879
Accumulated depreciation				
Land improvements	1,594,294	143,290	-	1,737,584
Buildings and improvements	643,380	26,549	-	669,929
Machinery and equipment	<u>454,864</u>	<u>50,054</u>	<u>-</u>	<u>504,918</u>
Subtotal	<u>2,692,538</u>	<u>219,893</u>	<u>-</u>	<u>2,912,431</u>
Net capital assets being depreciated	<u>2,391,827</u>			<u>2,256,448</u>
Net capital assets	<u>\$ 3,466,721</u>			<u>\$ 4,091,115</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 5 - CAPITAL ASSETS - Continued

	Balance April 1, 2005	<u>Additions</u>	Disposals/ Transfers	Balance March 31, 2006
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 5,900	\$ -	\$ -	\$ 5,900
Capital assets, being depreciated:				
Buildings	164,559	36,523	-	201,082
Sewage disposal system	9,802,501	246,345	-	10,048,846
Water supply system	13,387,796	118,204	-	13,506,000
Machinery and equipment	<u>965,134</u>	<u>242,211</u>	<u>-</u>	<u>1,207,345</u>
Subtotal	24,319,990	643,283	-	24,963,273
Accumulated depreciation				
Buildings	38,942	5,273	-	44,215
Sewage disposal system	3,299,207	242,779	-	3,541,986
Water supply system	5,992,981	378,173	-	6,371,154
Machinery and equipment	<u>495,366</u>	<u>110,411</u>	<u>-</u>	<u>605,777</u>
Subtotal	<u>9,826,496</u>	<u>736,636</u>	<u>-</u>	<u>10,563,132</u>
Net capital assets being depreciated	<u>14,493,494</u>			<u>14,400,141</u>
Net capital assets	<u>\$14,499,394</u>			<u>\$14,406,041</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Business-type activities:

General government	\$ 41,348	Sanitary Sewer	\$ 246,624
Public safety	66,400	Water	<u>490,012</u>
Recreation and Cultural	<u>112,145</u>		
Total	<u>\$ 219,893</u>	Total	<u>\$ 736,636</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 6 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended March 31, 2006:

	Balance April 1, 2005	Additions	Reductions	Balance March 31, 2006	Current Portion
Governmental Activities					
General obligation bonds	\$ 2,105,000	\$ -	\$ 185,000	\$ 1,920,000	\$ 190,000
Land contracts	44,000	-	22,000	22,000	22,000
	2,149,000	-	207,000	1,942,000	212,000
Business-Type Activities					
Revenue bonds	6,518,045	-	379,076	6,138,969	514,690
Total Primary Government Long-Term Debt	<u>\$ 8,667,045</u>	<u>\$ -</u>	<u>\$ 586,076</u>	<u>\$ 8,080,969</u>	<u>\$ 726,690</u>

Long-term debt payables at March 31, 2006, consisted of the following individual issues:

Governmental Activities

General obligation Limited Tax Bonds are due in annual principal installments of \$185,000 to \$240,000 through June 1, 2014, with interest at 2.5% to 3.375% per annum	\$ 1,920,000
Land contract - requires an annual payment of \$7,500 through June 28, 2006, with interest at 7.00% per annum	7,500
Land contract - requires an annual principal payment of \$14,500 through July 15, 2006 with interest at 7.00% per annum	<u>14,500</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,942,000</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 6 - LONG-TERM DEBT - Continued

Business-Type Activities

Water Supply System Bonds are due in annual principal installments of \$74,550 to \$141,645 through May 1, 2010, with interest at 6.5% to 7.05% per annum	\$ 769,812
Water Supply System Refunding Bonds (second refunding) are due in annual principal installments of \$61,061 to \$71,988 through May 1, 2010, with interest at 5.30% to 6.0% per annum	524,484
Water Supply System Refunding Bonds (second refunding) are due in annual principal installments of \$45,738 to \$63,525 through January 1, 2015, with interest at 4.70% to 5.875% per annum	450,004
Water Supply System Refunding Bonds are due in annual principal installments of \$147,097 to \$272,799 through October 1, 2010, with interest at 4.15% to 4.7% per annum	1,305,158
Sewage Disposal System Refunding Bonds are due in annual principal installments of \$20,000 to \$30,000 through November 1, 2009, with interest at 4.15% to 4.6% per annum	178,334
Sewage Disposal System Refunding Bonds are due in annual principal installments of \$38,710 to \$41,080 through November 1, 2005, with interest at 4.15% to 4.3% per annum	81,370
Sewage Disposal System Bonds are due in annual principal installments of \$30,000 to \$75,000 with the final payment due March 1, 2019, with interest at 4.70% to 5.05% per annum	674,098

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 6 - LONG-TERM DEBT - Continued

Water Supply System Refunding Bonds are due in annual principal installments of \$26,708 to \$133,539 through May 1, 2021, with interest at 4.625% to 5.2% per annum	1,460,709
Water Supply System Refunding Bonds are due in annual principal installments of \$55,000 to \$65,000 through January 1, 2015, with interest at 2.80% to 4.55% per annum	<u>695,000</u>
Total Business-Type Activities Long-Term Liabilities	<u>6,138,969</u>
Total Primary Government Long-Term Debt	<u><u>\$ 8,080,969</u></u>

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2006 including both principal and interest, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 212,000	\$ 56,540	\$ 268,540
2008	195,000	49,943	244,943
2009	200,000	44,512	244,512
2010	205,000	38,687	243,687
2011	210,000	32,442	242,442
2012-2015	<u>920,000</u>	<u>61,228</u>	<u>981,228</u>
Total	<u>\$ 1,942,000</u>	<u>\$ 283,352</u>	<u>\$ 2,225,352</u>
	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 514,690	\$ 263,594	\$ 778,284
2008	840,500	204,986	1,045,486
2009	795,290	149,212	944,502
2010	750,070	109,596	859,666
2011	705,320	103,057	808,377
2012-2016	1,626,580	157,923	1,784,503
2017-2020	<u>906,519</u>	<u>203,965</u>	<u>1,110,484</u>
Total	<u>\$ 6,138,969</u>	<u>\$ 1,192,333</u>	<u>\$ 7,331,302</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 7 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - RETIREMENT PROGRAMS

The Township has a defined contribution pension plan covering qualified employees to which the Township is required to contribute 10% of the employees' gross wages. Participating employees may contribute up to 10% of gross wages. Total contributions by the Township for the year ended March 31, 2006 were \$80,900.

The Township Fire Department has a separate pension plan which covers all participating firefighters. The plan's benefits are based on length of service and also includes pre-retirement death and disability benefits. All required contributions are paid by the Township. Total contributions by the Township for the year ended March 31, 2006 were \$7,722.

NOTE 9 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Township management and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on a fund level basis.

During the year ended March 31, 2006, the Township incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRING LAKE, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Taxes	\$ 722,105	\$ 722,105	\$ 743,305	\$ 21,200
Licenses and permits	6,150	6,150	5,833	(317)
State shared revenues	725,000	731,800	737,492	5,692
Charges for services	532,197	582,197	619,104	36,907
Interest	5,500	5,500	38,767	33,267
Other	<u>54,250</u>	<u>64,250</u>	<u>84,539</u>	<u>20,289</u>
Total revenues	2,045,202	2,112,002	2,229,040	117,038
EXPENDITURES				
General government	860,017	945,967	940,426	5,541
Public safety	338,192	327,492	320,314	7,178
Public works	116,450	116,450	102,700	13,750
Community and economic development	173,669	224,959	224,301	658
Recreation and cultural	161,815	171,215	160,035	11,180
Capital outlay	140,000	90,000	84,514	5,486
Debt service				
Principal	22,000	22,000	22,000	-
Interest	<u>3,080</u>	<u>3,080</u>	<u>3,080</u>	<u>-</u>
Total expenditures	<u>1,815,223</u>	<u>1,901,163</u>	<u>1,857,370</u>	<u>43,793</u>
Excess of revenues over expenditures	229,979	210,839	371,670	160,831
OTHER FINANCING (USES)				
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Excess of revenues over expenditures and other uses	209,979	190,839	351,670	160,831
FUND BALANCE - Beginning of year	<u>444,499</u>	<u>444,499</u>	<u>444,499</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 654,478</u>	<u>\$ 635,338</u>	<u>\$ 796,169</u>	<u>\$ 160,831</u>

See accompanying notes to financial statements

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
MARCH 31, 2006**

	Bike Path Millage Fund	Debt Service Fund	Equipment Sinking Fund
ASSETS			
Cash and cash equivalents	\$ 307,580	\$ 193	\$ 20,045
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units	19,450	-	-
Prepaid expenditures	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 327,030</u>	<u>\$ 193</u>	<u>\$ 20,045</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	-	-
 FUND BALANCES			
Reserved for:			
Bike path improvements	327,030	-	-
Debt service	-	193	-
Street lighting	-	-	-
Harbor transit	-	-	-
Cemetery endowments	-	-	-
Unreserved, undesignated	-	-	20,045
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>327,030</u>	<u>193</u>	<u>20,045</u>
Total liabilities and fund balances	<u>\$ 327,030</u>	<u>\$ 193</u>	<u>\$ 20,045</u>

<u>Building Department Fund</u>	<u>Street Lighting Fund</u>	<u>Harbor Transit Fund</u>	<u>Cemetery Endowment Fund</u>	<u>Combined Totals</u>
\$ 121,875	\$ 81,213	\$ -	\$ -	\$ 530,906
-	-	-	256,678	256,678
84	-	-	-	1,344
-	6,545	-	1,260	25,995
<u>3,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,050</u>
<u>\$ 125,009</u>	<u>\$ 87,758</u>	<u>\$ -</u>	<u>\$ 257,938</u>	<u>\$ 817,973</u>

\$ 9,080	\$ 9,065	\$ -	\$ -	\$ 18,145
<u>1,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,406</u>
10,486	9,065	-	-	19,551

-	-	-	-	327,030
-	-	-	-	193
-	78,693	-	-	78,693
-	-	-	-	-
-	-	-	257,938	257,938
<u>114,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,568</u>
<u>114,523</u>	<u>78,693</u>	<u>-</u>	<u>257,938</u>	<u>798,422</u>
<u>\$ 125,009</u>	<u>\$ 87,758</u>	<u>\$ -</u>	<u>\$ 257,938</u>	<u>\$ 817,973</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2006

	Bike Path Millage Fund	Debt Service Fund	Equipment Sinking Fund
REVENUES			
Taxes	\$ 285,016	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	-	-	-
Interest	3,623	5	45
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	288,639	5	45
EXPENDITURES			
Public safety	-	-	-
Public works	-	-	-
Debt service			
Principal	-	185,000	-
Interest	-	50,612	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	235,612	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	288,639	(235,607)	45
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	235,800	20,000
Operating transfers out	(235,800)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(235,800)	235,800	20,000
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenue and other sources over expenditures and other uses	52,839	193	20,045
FUND BALANCE - BEGINNING OF YEAR	<hr/> 274,191	<hr/> -	<hr/> -
FUND BALANCE - END OF YEAR	<u>\$ 327,030</u>	<u>\$ 193</u>	<u>\$ 20,045</u>

<u>Building Department Fund</u>	<u>Street Lighting Fund</u>	<u>Harbor Transit Fund</u>	<u>Cemetery Endowment Fund</u>	<u>Combined Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 285,016
-	101,764	-	-	101,764
231,943	-	-	-	231,943
4,359	1,536	253	1,098	10,919
<u>126</u>	<u>-</u>	<u>-</u>	<u>16,568</u>	<u>16,694</u>
236,428	103,300	253	17,666	646,336
255,261	-	-	-	255,264
-	105,757	14,875	-	120,632
-	-	-	-	185,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,612</u>
<u>255,261</u>	<u>105,757</u>	<u>14,875</u>	<u>-</u>	<u>611,505</u>
(18,833)	(2,457)	(14,622)	17,666	34,831
-	-	-	-	255,800
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(235,800)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
(18,833)	(2,457)	(14,622)	17,666	54,831
<u>133,356</u>	<u>81,150</u>	<u>14,622</u>	<u>240,272</u>	<u>743,591</u>
<u>\$ 114,523</u>	<u>\$ 78,693</u>	<u>\$ -</u>	<u>\$ 257,938</u>	<u>\$ 798,422</u>